

Global Economic Survey 2021

With the cooperation of the Global Chamber Platform

January 2021

Global Economic Survey 2021



Global Chamber Platform

The Global Economic Survey 2021 was conducted during the months of October and November 2020 among Members of the Global Chamber Platform. The Survey intends to gather a qualitative assessment from GCP Members on global economic developments, trade policy and other key policy challenges. Thus, conclusions drawn from the answers reflect the majority opinion of GCP Members, without prejudice to diverging opinions of single members, which are sought to be highlighted in the report where appropriate.

The Global Chamber Platform (GCP) brings together the 16 major national and transnational Chamber organisations from the four corners of the globe. Its key objective is to facilitate trade and market access internationally as well as developing coherent and innovative answers to the challenges of globalisation that the shift in global economic realities brings about for all players involved.

The respondents that participated to the 2021 Global Economic Survey were:

- The **China** Chamber of International Commerce (CCOIC) / CCPIT
- Federation of **Indian** Chambers of Commerce and Industry (FICCI)
- Association of **European** Chambers of Commerce and Industry (EUROCHAMBRES)
- Confederation of **Asia-Pacific** Chambers of Commerce and Industry (CACCI)
- Union of Chambers and Commodity Exchanges of **Turkey** (TOBB)
- **Iran** Chamber of Commerce, Industry and Mines, and Agriculture (ICCIMA)
- The **Australian** Chamber of Commerce and Industry
- Association of **Mediterranean** Chambers of Commerce and Industry (ASCAME)
- **Gulf** Federation of Chambers (FGCCC)
- The Chamber of Commerce and Industry of the **Russian Federation** (TPPRF)

For its responses, EUROCHAMBRES could count on the following 7 contributions from its Members:

- Federation of **Belgian** Chambers of Commerce
- Unioncamere – **Italian** Union of Chambers of Commerce, Industry, Handicrafts and Agriculture)
- CCI **France**
- **Luxembourg** Chamber of Commerce (CCL)
- **Cyprus** Chamber of Commerce and Industry (CCCI)
- The **Hungarian** Chamber of Commerce and Industry (HCCI)
- The Chamber of Commerce and Industry of **Serbia** (CCIS)

EXECUTIVE SUMMARY & RECOMMENDATIONS

I. Macroeconomic Outlook of the Global Economy

The COVID 19 outbreak has defied all initial economic expectations for 2020, by prompting a historic global recession to the tune of 4,4% for the past year¹. With different world regions having been impacted differently by the economic fallout, the pace of the economic recovery in 2021 will likely also reflect these underlying dynamics. In line with these parameters, the GCP were asked to give their expectations on growth perspectives for their country/region compared to recent World Bank forecasts.²

It was noteworthy in that regard to find that the GCP were predominantly more optimistic than the WB forecasts for economic growth in 2021. This could point to a stronger rebound for the global economy than the 4,2%³ that are currently anticipated, possibly helped by the commencing roll-out of COVID vaccines in several world regions. Notably more positive growth expectations came from GCP participants from India, the Gulf region and for the European Union. Especially the FGCCC and FICCI expect growth rates to outperform those of the WB by 1.3% and 1.7% respectively. Overall, the GCP show more optimism in terms of growth expectation in this edition when compared to previous surveys, as none have reported a more pessimistic economic outlook for 2021 than those forecasted by the World Bank.

However, despite the optimism for growth picking up in 2021, the GCP equally acknowledge that the economic rebound will likely not be enough to recuperate the staggering economic losses caused by COVID 19 in 2020. In fact the GCP seems to point to a somewhat more gradual global economic recovery for the years ahead.

In terms of the top challenges for the global economy in the new year, the GCP identified the most pressing issue very clearly, and that is worrying unemployment resulting from the economic fallout from the global pandemic, as millions of businesses and more than the equivalent of 590 million jobs estimated to have been lost in 2020.⁴ In line with this finding, the prime focus for global policy makers and the incoming G20 Italian Presidency, should be in getting people back to work, thus helping to boost domestic and global demand.

Equally, despite global challenges such as COVID 19 requiring global solutions to effectively muster a swift economic recovery, the GCP saw the risk of countries succumbing to protectionism as the second most important challenge for the global economy this year. As the third most pressing issue, the GCP identified risks of global fiscal crises emerging in the aftermath of COVID 19, following extensive government spending needed to mitigate the adverse effects of the pandemic on businesses and citizens.

II. COVID-19 and the Road to Economic Recovery

With unemployment being the key challenge for the year ahead, the GCP recognize that increasing consumer demand and bringing people back in jobs will be crucial for a swift and sustainable economic recovery. Still, a lack of predictability in the economic and political landscape, the uncertainty surrounding the development of the virus, disruptions in logistics and supply chains, as well as persisting travel restrictions have all been identified as remaining important bottlenecks towards for full global recovery.

¹ International Monetary Fund, World Economic Outlook October 2020, p. 8. Available at: <https://www.imf.org/-/media/Files/Publications/WEO/2020/October/English/text.ashx>

² <https://openknowledge.worldbank.org/bitstream/handle/10986/33748/9781464815539.pdf>

³ Idem; by the time of issuance of this report the WB had updated their economic outlook for 2021 to 4%: <https://blogs.worldbank.org/voices/global-economic-outlook-five-charts>

⁴ https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_755910.pdf

To aid companies, especially SME's during these difficult times, GCP members have identified the swift implementation of financial aid packages for redundant employees and small businesses, the freezing of rent, tax and other payment obligations, as well the furloughing of payments as the most effective support policies to sustain SMEs.

At the same time nearly all GCP respondents agreed that their governments implemented effective measures in their country/region, and a majority considered them to have been implemented swiftly.

III. Internationalization and adapting to the post-COVID Age

With business already looking to the post-COVID business environment, there is no denying that the economic landscape has been irrevocably altered by the pandemic. This is reflected by the two biggest challenges businesses will need to grapple with according to the GCP: access to finance, and digital transformation. With millions of businesses in need of financial support, and a marked shift to digital ways to do business, it is no surprise that the GCP stress the urgency of these challenges. In the view of the GCP therefore, creating a business friendly environment to attract more investment, enhancing the skills of the workforce, as well as the promotion of innovation and R&D are seen as the top policy measures which should be adopted to help businesses recover.

At the same time, the GCP sees the crisis as an opportunity to ensure not only a swift but also a green recovery. To that end, the majority of GCP members were in favor of policy makers adopting a benefits-based system that can reward sustainable businesses practices and make additional funding available for that matter. Some GCP respondents equally plead for making financial recovery support conditional on meeting sustainability criteria. Importantly however, the GCP have shown across the board resistance to higher taxation of goods produced by non-sustainable business practices, such as through the vehicle of a carbon border tax.

IV. International Trade and Investment

With protectionism on the rise, and identified as a top challenge for the global economy this year, the GCP fear further restrictions to accessing foreign markets as a real and worrying prospect for 2021. However, according to the GCP there has been shift in this edition of the survey as regards the best global answer to fight protectionism: While last year the top priority was the active engagement in bilateral, plurilateral, and multilateral trade negotiations – this year's second place – the GCP now strongly prefer a better use of international business and governmental platforms to increase transparency and oversight, which rose from fourth place last year to the undisputed top preference this year.

V. Brexit

Finally, GCP members indicated that the uncertainty that had surrounded the future of the EU-UK relationship before the Trade and Cooperation Agreement was signed by the EU and the UK on December 24th, has mostly had no significant impact on investments from their region, with a marked exception signaled by the Federation of Indian Chambers of Commerce and Industry, who saw a decrease of Indian investments from the United Kingdom as a result of the uncertainties that had surrounded Brexit.

I. MACROECONOMIC OUTLOOK OF THE GLOBAL ECONOMY

1. Macroeconomic Outlook

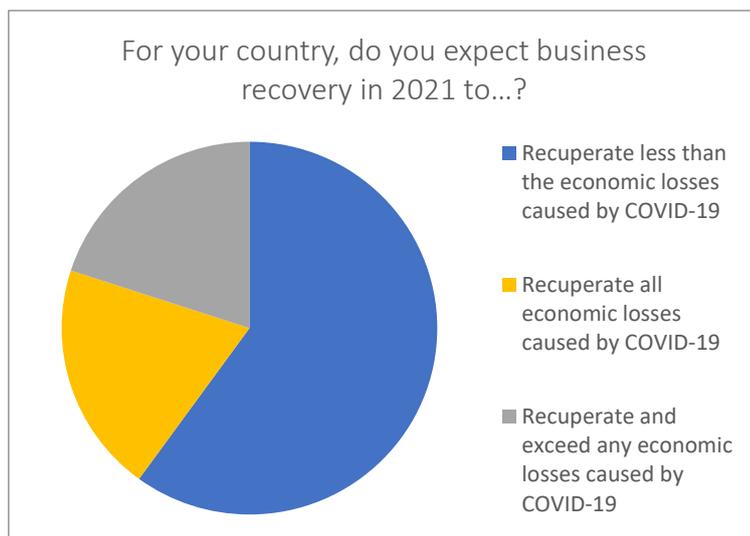
COVID-19 has clearly defied initial growth projections for 2020, with most economies across the globe having experienced a severe contraction of their GDP. In this sense, the International Monetary Fund projects that most of the developed economies across the globe will have an economic contraction of more than 3% for 2020, while only some of developing economies are projected to still have positive growth of up to 3% for this year.⁵ With the World Bank calling it the worst recession since World War two⁶, many businesses are now looking eagerly to 2021 for a more positive outlook.

In this sense, 2021 is indeed projected to see the global economy rebound from the economic shocks of the previous year: As a whole, the World Bank expects a 4.2% GDP growth rate for the global economy in 2021⁷. Among GCP respondents, when asked about their growth projections for their specific region, respondents were on average more confident than the World Bank estimate. However, a closer look reveals also some differences on the degree of optimism among GCP respondents. Among the most optimistic respondents for their region were FICCI and the FGCCC, who estimated their region’s growth to outperform World Bank projections up to 1.7% and 1.3% respectively. Meanwhile, multiple regions agreed with the World Bank projections, while respondents among EU members indicated, on average, to outperform expectations by slightly.

Overall, GCP responses were more positive compared to previous surveys of the Global Chamber Platform, as none have reported a more pessimistic outlook for 2021 when compared to forecasts . Specifically for the EU, EUROCHAMBRES members are showing more optimism: when asked in 2019, they projected a lower GDP growth rate than the World Bank, while it is slightly more positive for 2021, pointing to solid economy recovery in the EU for the year ahead. The more positive attitude compared to forecasts may well be due to the encouraging developments on the vaccine front, with many of the world regions now starting the vaccination process.

2. Expected Business Recovery

When asked about the degree of the expected recovery, more than half of GCP respondents projected that a pick-up in growth in 2021 not being able to recover all the losses caused by the pandemic the year before. Against the backdrop of new lockdowns being imposed, as well as the severity of the economic recession, the responses by the GCP should will not come as a major surprise. It does however seem to point to a more gradual global recovery, with the global business community realizing that the consequences of the pandemic will be felt for years to come.⁸



⁵ https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD

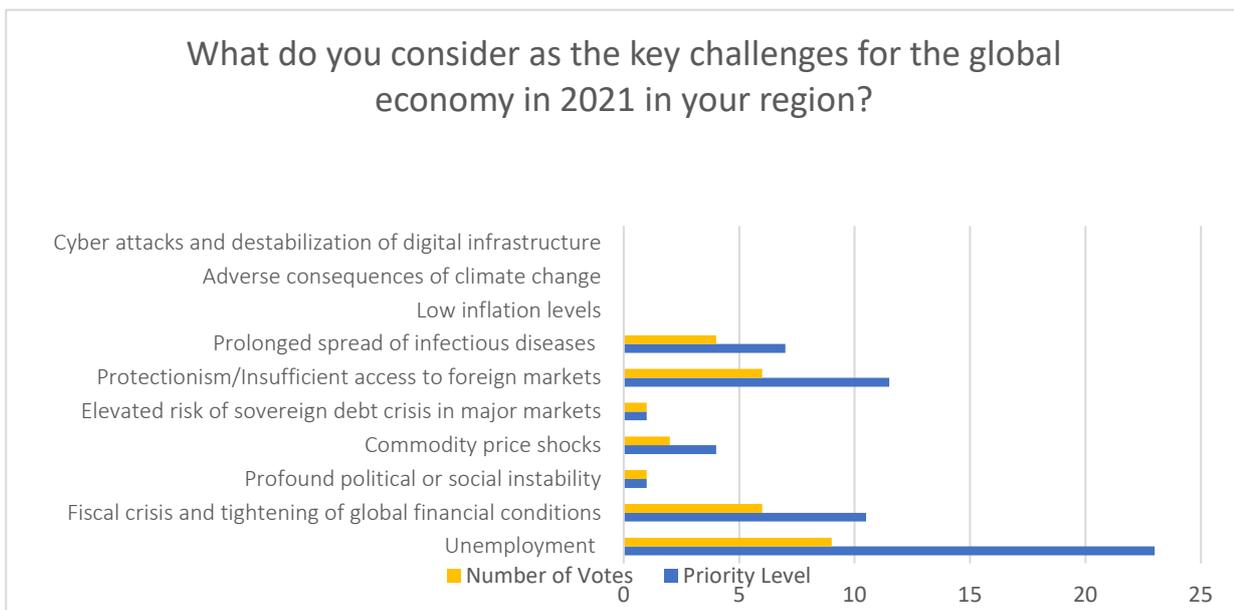
⁶ <https://www.worldbank.org/en/news/press-release/2020/06/08/covid-19-to-plunge-global-economy-into-worst-recession-since-world-war-ii#>

⁷ <https://openknowledge.worldbank.org/bitstream/handle/10986/33748/9781464815539.pdf> - by the time of issuance of this report the WB has updated its growth forecast in 2021 to 4%:
<https://blogs.worldbank.org/voices/global-economic-outlook-five-charts>

⁸ <https://unctad.org/news/covid-19s-economic-fallout-will-long-outlive-health-crisis-report-warns>

3. Key challenges for the global economy in 2021

Regarding the key challenges for the global economy in 2021, the GCP were of the view that unemployment is by far the most pressing and urgent concern for the global economy in 2021, far outmatching any other challenges that were noted in the survey. With the COVID-19 pandemic threatening the livelihood of millions of businesses, especially SMEs, concerns for a significant increase in unemployment have been present since the first lockdown phase. The International Labor Organization (ILO) has estimated that in the second quarter of 2020, a total of 495 million jobs worth of working hours been lost, causing substantial losses in labor income.⁹



Continued concerns about protectionism and insufficient access to foreign markets, ranked as the second most pressing concern for the GCP. Previously the top challenge in preceding surveys, protectionism is now a distant second for the GCP, followed by concerns about the emergence of fiscal crises and the tightening of global financial conditions, while several GCP also pointed to uncertainties concerning a prolonged spread of infectious diseases. Adverse consequences of climate change, low inflation levels or a destabilization of digital infrastructure were not seen as major challenges of the global economy in 2021.

I. COVID-19 AND THE ROAD TO ECONOMIC RECOVERY

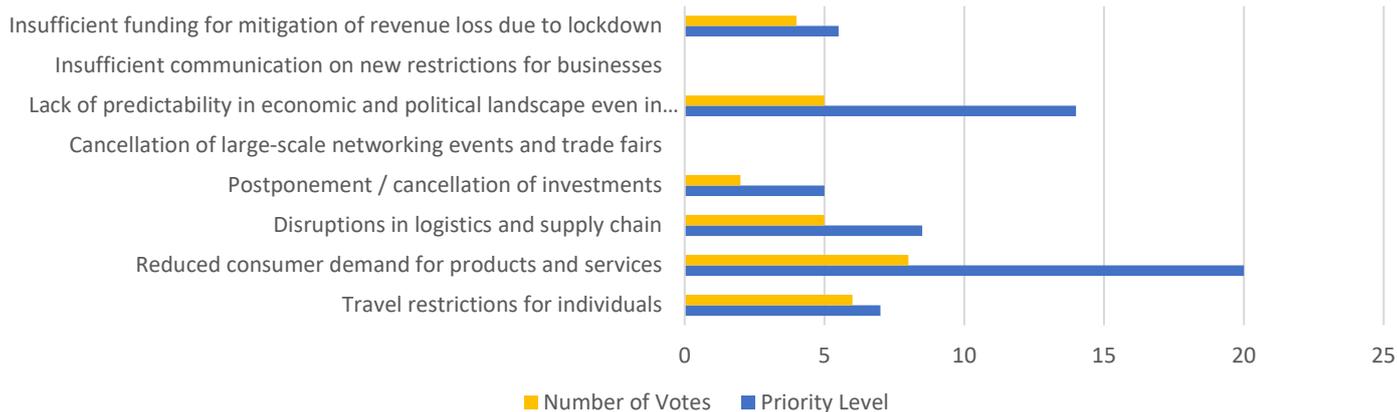
4. Most harmful barriers disrupting business activity

In terms of the most harmful barriers to economic health, once more, the GCP have passed a clear verdict in this edition of the survey. Linked to the top challenge for the global economy in 2021, the rise in unemployment, the GCP also saw reduced consumer demand for products and services as the most harmful barrier to a swift economic recovery. With employment under jeopardy for millions of households, the unemployment rate could have a knock-on effect, leading to lower consumption and demand, and thus further troubles for struggling businesses. The fact that the current economic climate could again be subject to sudden changes is a clear second concern: GCP deemed the lack of predictability in the economic and political landscape as the second most important barrier to economic health and recovery. COVID-19 induced travel restrictions for individuals are another important cause for concern for the GCP, ranking as the third most important barrier overall.

⁹ https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_755910.pdf

It thus becomes clear that coordinated measures need be taken on the global scene to counteract preoccupations expressed, including the need for stable policy measures, and upholding the functioning of international supply chains.

In your region, what barriers due to COVID-19 were the most harmful to its economic health?

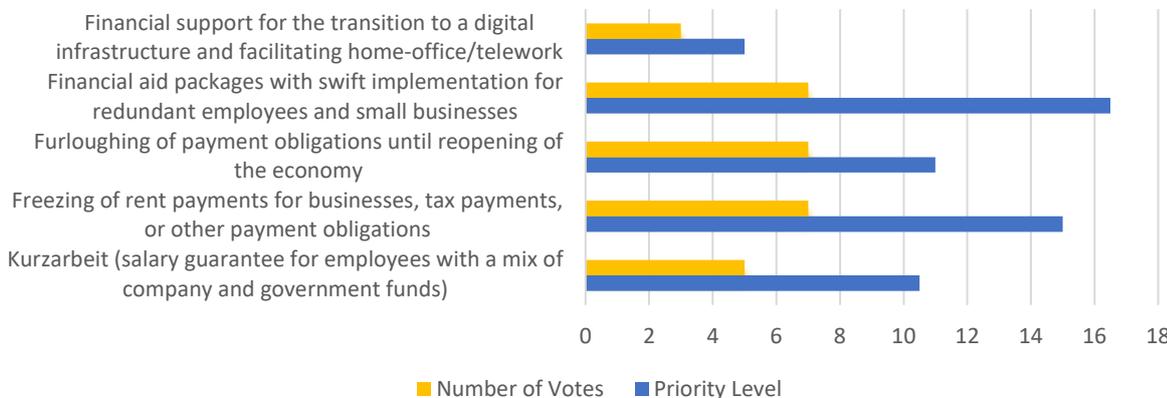


5. Most effective government measures across the globe

As many countries face the possibility of a second lockdown, this year’s GCP global economic survey sought to identify what measures were the most effective among members to mitigate the damage of the COVID-19 crisis on SMEs in their region. The top three choices for the GCP were the swift implementation of financial aid packages for redundant employees and small businesses, the freezing of rent, tax and other payment obligations for businesses, and the furloughing of payments until the economy is be able to reopen.

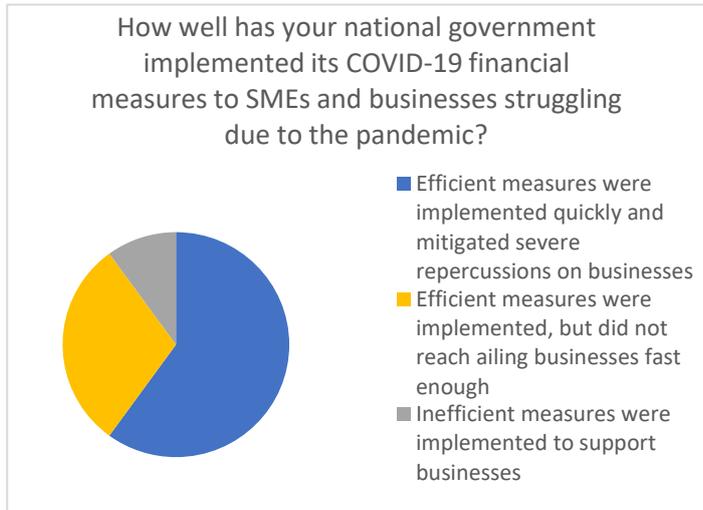
It should be noted that a salary guarantee (Kurzarbeit) was also noted as quite helpful by members.

In your experience, what are the most effective COVID-19 measures taken in your region to sustain SMEs?



6. Efficacy and swiftness of government action

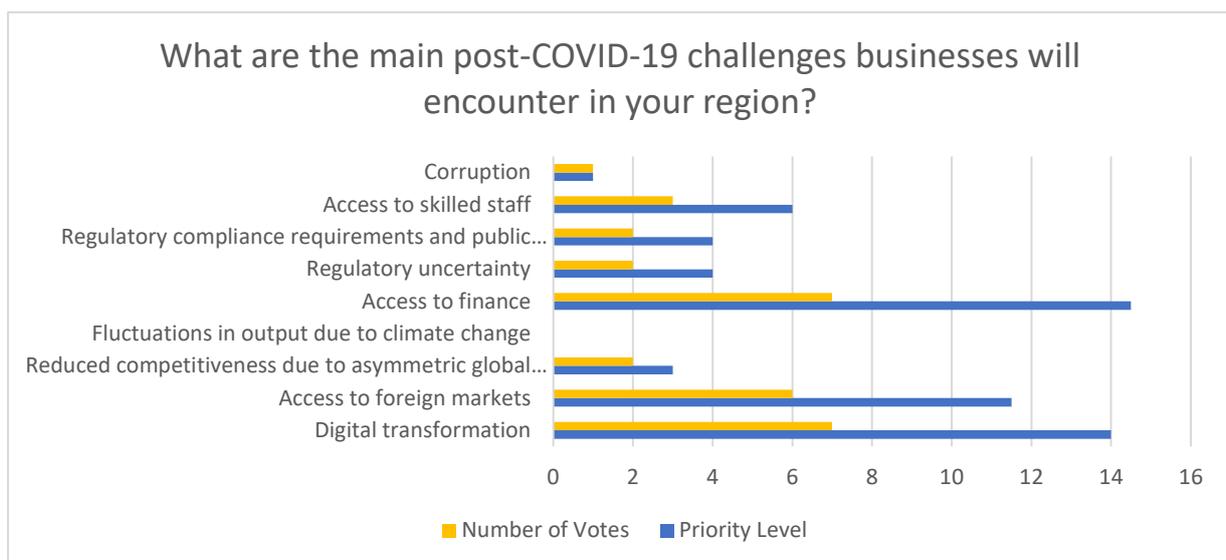
For the majority of respondents, the government measures were both effective and swiftly implemented. However, some respondents – CACCI, TPPRF and ICCIMA - indicated that while effective, the implementation was not fast enough, and one even indicated that measures were insufficient in the Mediterranean. Within the EU, the overall response was overwhelmingly positive, with a clear majority indicating that measures were efficient and implemented quickly.



II. INTERNATIONALIZATION AND ADAPTING TO THE POST-COVID AGE

7. Main challenges for businesses in countries/regions

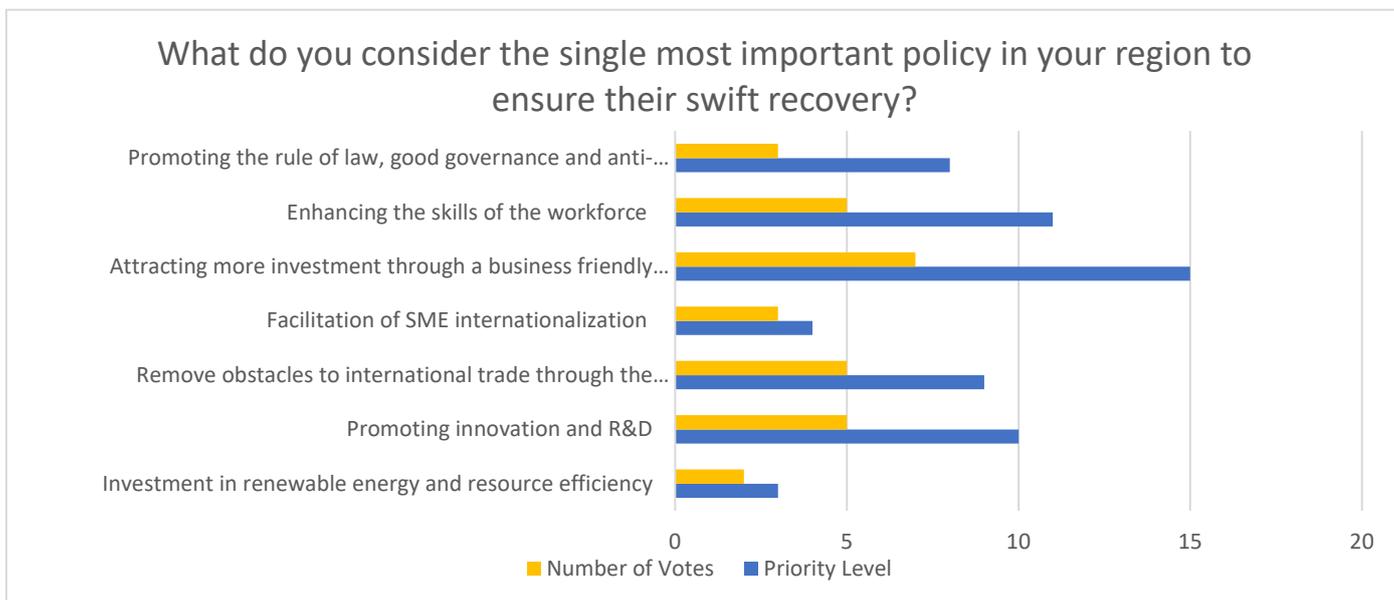
Regarding the main challenges for businesses across the world regions, the GCP saw access to finance as the top challenge businesses are currently facing, closely followed by the digital transformation, which COVID has clearly accelerated. In this regard, the digital divide between regions, access to digital infrastructure and addressing new risks, such as cyber security, are ever more pressing global challenges that should be addressed holistically in post COVID world.¹⁰ Fluctuations in output due to climate change, corruption and reduced competitiveness due to an asymmetric global application of sustainability regulations and standards were not seen as primary challenges by the GCP.



¹⁰ <https://blogs.imf.org/2020/11/05/bridging-the-digital-divide-to-scale-up-the-covid-19-recovery/>

8. Policies for swift recovery

With 2020 having just passed, the global business community has set its eyes on 2021 for a more optimistic economic outlook. In this regard, more than ever, the GCP saw the creation of a business friendly environment as the most effective and important policy for an economic recovery, followed by enhancing the skills of the workforce and promoting R&D as a close third. This marks a noteworthy shift in priorities among GCP respondents compared to the results of the 2019 GCP survey, where the importance of a business friendly environment has intensified even more, while enhancing the skills of the workforce has overtaken the need to promote R&D and innovation. This result, only further emphasizes the urgency for global leaders to accompany COVID recovery responses with matching plans to re- and up-skill the workforce in order to meet business needs, especially considering the rapid digitalization due to COVID-19. With digital literacy skills estimated to range between 32%-44% for lower- and higher-income countries,¹¹ there is urgent need to accelerate the up- and reskilling of the workforce to make them fit for the digital age.



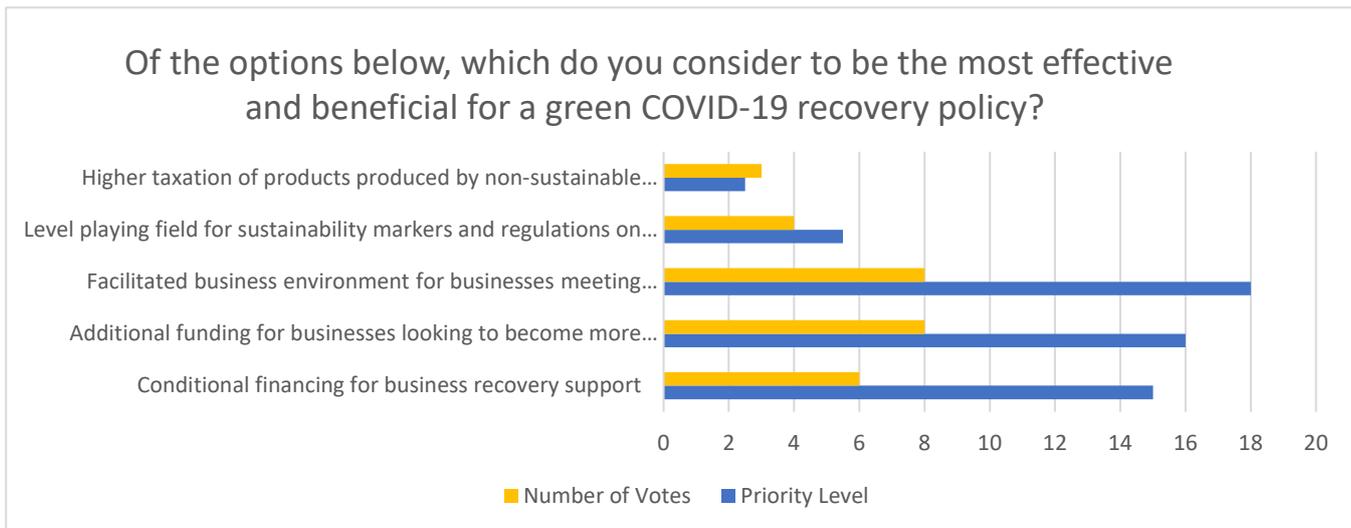
9. Seizing the opportunity to implement a sustainable economic model

With unprecedented levels of financial support and aid packages issued across the globe to overcome the pandemic, many governments are recognizing the opportunity to encourage a sustainable economic model with targeted policies. GCP members were asked to provide their insights on what measures would be most effective and beneficial for global business in ensuring a green COVID-19 recovery policy.

Similar to responses to the preceding question, GCP respondents were most in favor of policy makers ensuring a conducive business environment in order to meet sustainability criteria through rewards, such as tax breaks easing access to finance etc. Secondly, the GCP favored governments making additional direct funding available for businesses to muster the green transition, while thirdly a noteworthy number of GCP respondents also favored tying COVID recovery funding explicitly to the achievement of more sustainable business practices.

Importantly however, the GCP do not favor higher taxation on products by non-sustainable businesses through measures at the border, such as a carbon border tax which is already being discussed in different regions, including the European Union. This could imply that any unilateral action taken might not count on global support at this point, and require intensive diplomatic climate efforts and transparency globally in order to avoid new trade conflicts arising.

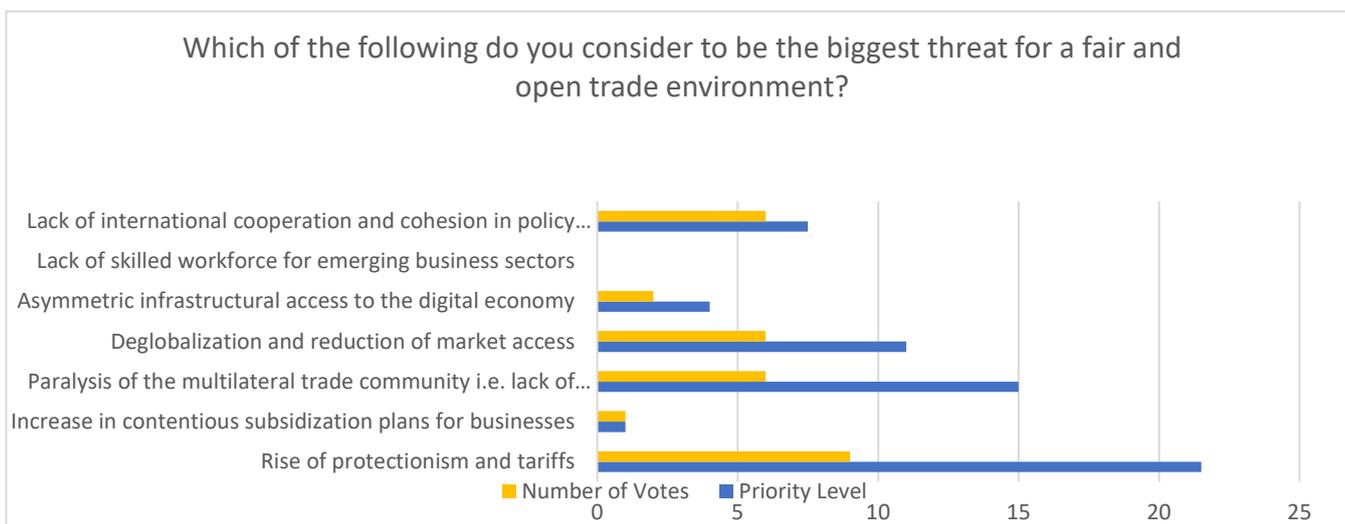
¹¹ <https://www.weforum.org/agenda/2020/08/covid19-digitalization-workforce-digital-skills/>



II. INTERNATIONAL TRADE AND INVESTMENT

10. Top Threats to a fair and open trade environment

With protectionist tendencies are rising, it comes to no great surprise that also for the year ahead, protectionism and rise in tariffs is considered the top threat for fair and open trade according to the GCP. In that regard GCP members also highlighted the threat of a paralyzed multilateral trading system and a lack of progress towards substantial WTO reform, as well as trends for deglobalization, and a perceived lack of international cooperation and cohesion in policy responses, as the other most important threats to



maintaining a fair and open trading environment.

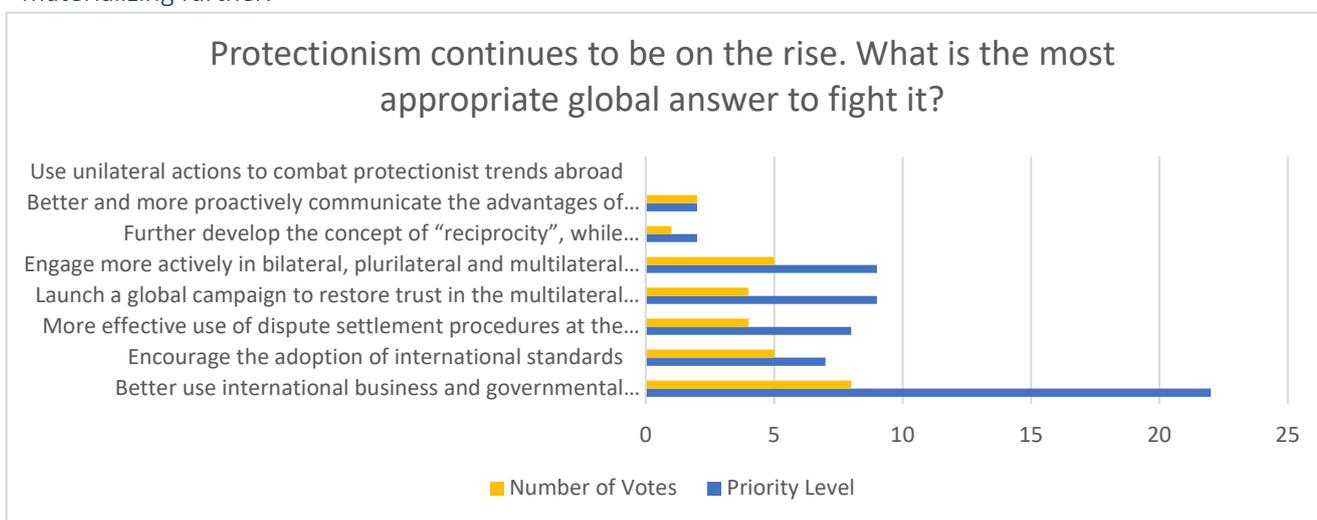
11. Fighting protectionism on a global level

When prompted to choose their top 3 measures to holistically combat the rise of protectionism, GCP respondents overwhelmingly expressed strong support for the better use of international business and governmental platforms – such as the WTO, the G20, and B20 – given its distinct advantages in increasing transparency, oversight and monitoring at a global level.

This is a marked shift from the results in 2019, where this choice ranked only in fourth place among GCP respondents, which points to a renewed optimism among GCP participants regarding the value of international business and government platforms such as the WTO for the year ahead.

Moreover, particular interest among some GCP members was given to the launch of a global campaign to restore the trust in the multilateral trading system: the FGCC, CACCI, ASCAME, and EUROCHAMBRES expressed particular interest in supporting such a global campaign. Also this year more participants placed a priority on the adoption of international standards as a powerful tool to stop protectionism.

GCP responses to this question seem to point to the fact that the pandemic has re-invigorated the need and usefulness of global cooperation among the global business community, be it through making better use of international platforms, engaging on global standard setting, or restoring trust in multilateral institutions. All these can be seen as effective levers to tackle a global crisis and prevent harmful protectionist tendencies from materializing further.

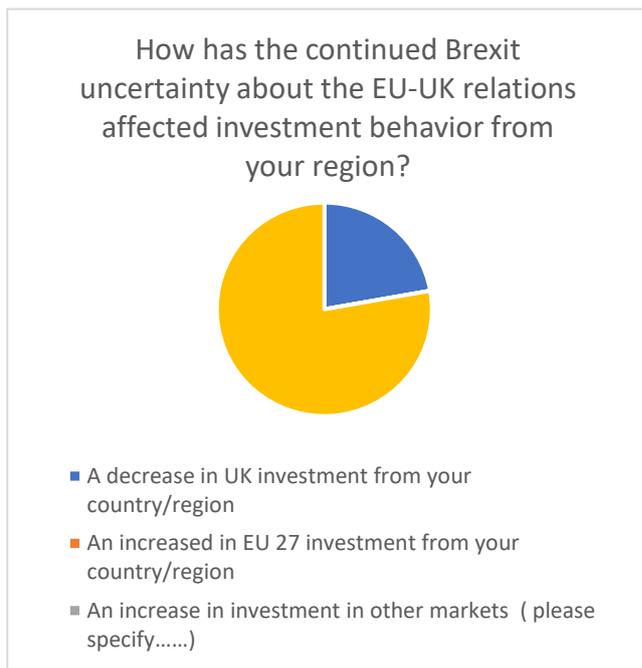


III. BREXIT

IV. Impact of continued Brexit uncertainty

The final question posed to the Global Chamber Platform in this year’s edition of the global economic survey concerned the investment behavior by the different regions/countries surrounding the uncertainty in EU-UK relations ahead of the end of the transition period¹².

Interestingly most GCP respondents reported no significant change in investment behavior from their investors in light of the uncertainty that surrounded the future EU-UK relationship before the EU-UK Trade and Cooperation Agreement was signed. However the view from the Federation of Indian Chambers of Commerce and Industry stood out, in that it reported a decrease in Indian investments in the UK due to the prolonged uncertainty.



¹² This survey was conducted prior to the signing of the EU-UK Trade and Cooperation Agreement on December 24th